

THE PALMS AT MANELE – PHASE I

DISCLOSURE ABSTRACT

1. (a) PROJECT: The Palms at Manele – Phase I
 Manele Bay, Lanai, Hawaii
- (b) DEVELOPER: Lanai Developers, LLC
 1311 Fraser Avenue
 Lanai City, Hawaii 96763
 Telephone: (808) 565-3000
- (c) MANAGING AGENT: Certified Management, Inc.
 3179 Koapaka Street, 2nd Floor
 Honolulu, Hawaii 96819
 Telephone: (808) 836-0911
2. USE OF APARTMENTS:
- (a) Number of Apartments in Project for Residential Use: 16
- (b) Proposed Number of Apartments in Project for Hotel Use: -0-
- (c) Extent of Commercial or Other Nonresidential Development in
 Project: None

3. WARRANTIES:

(a) Home Builder's Limited Warranty. Developer will provide a ten (10) year limited warranty covering "Construction Defects" relating to the Apartment. The terms and conditions of this limited warranty will be set forth in a Home Builder's Limited Warranty ("Limited Warranty Agreement") in the form attached to the Sales Agreement as Exhibit A as a specimen. The Limited Warranty Agreement defines the scope of "Construction Defects", will govern and control the terms of the limited warranty, and will supersede any and all other written or oral warranties, representations or promises as to the Apartment. All warranties with respect to the Apartment are contained in the Limited Warranty Agreement, and Developer provides no other warranties.

(b) Homeowner's Guide Book. Developer will provide to buyer a Homeowner's Guide Book at or prior to closing. This is not a legal document, and does not confer any

UPDATED: DECEMBER 2010

additional warranty or service and repair rights on buyer. It is for informational purposes and is intended to provide useful maintenance and care tips for the Apartment.

(c) Terms, Conditions, Limitations and Exceptions. Buyer should refer to the Sales Agreement for more information about the Limited Warranty Agreement. Buyer also should refer to the Limited Warranty Agreement which specifies terms, conditions, limitations and exceptions ("Conditions"), with respect to the warranties which it provides. Buyer's rights and Developer's obligations for such work are subject to such Conditions, and buyer must read and understand them.

4. **BREAKDOWN OF ANNUAL MAINTENANCE CHARGES AND ESTIMATED COSTS FOR EACH APARTMENT:**

Attached to this Disclosure Abstract as Exhibit "1" is a breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, prepared by Certified Management, Inc., a Hawaii corporation, for the one-year period commencing January 1, 2011, and certified to have been based on generally accepted accounting principles. The attached breakdown of annual maintenance charges and the estimated cost for each apartment are subject to change based on actual costs of the items listed. The Developer can make no assurances regarding the estimated maintenance assessments. Variables such as inflation, uninsured casualty loss or damage, increased or decreased services from those contemplated by the Developer, apartment owner delinquencies and other factors may cause the maintenance assessments to be greater or less than the estimated maintenance assessments. The breakdown of the estimated cost for each apartment contained in this Disclosure Abstract does not include the Buyer's obligation for the payment of the Manele Bay Homeowners Association initiation assessment or the Manele Bay Homeowners Association dues or real property taxes and does not include or otherwise take into account the one-time "start-up" fee required to be paid in addition to the normal maintenance charges. Estimates of the real property taxes will be provided by the Developer upon request.

NOTE: THE DEVELOPER ADVISES THAT COSTS AND EXPENSES OF MAINTENANCE AND OPERATION OF A CONDOMINIUM PROJECT ARE VERY DIFFICULT TO ESTIMATE INITIALLY AND EVEN IF SUCH MAINTENANCE CHARGES HAVE BEEN ACCURATELY ESTIMATED, SUCH CHARGES WILL TEND TO INCREASE IN AN INFLATIONARY ECONOMY AND AS THE IMPROVEMENTS AGE. MAINTENANCE CHARGES CAN VARY DEPENDING ON SERVICES DESIRED BY APARTMENT OWNERS. THE BUYER SHOULD EXAMINE THE MAINTENANCE CHARGE SCHEDULE TO SEE WHAT SERVICES ARE INCLUDED IN THE SCHEDULE.

5. TERMINATION OF DEVELOPER'S TEMPORARY ASSUMPTION OF ACTUAL COMMON EXPENSES:

The Developer had assumed all the actual common expenses of the Project (and therefore an apartment owner had not been obligated for the payment of his respective share of the common expenses). Effective from and after May 1, 2009, each apartment owner in the Project shall be obligated to pay his respective share of the common expenses allocated to his apartment.

6. MANELE BAY HOMEOWNERS ASSOCIATION DUES:

Each apartment owner will be required to be a member of the Manele Bay Homeowners Association. As such member, each apartment owner will be required to pay Manele Bay Homeowners Association an initiation assessment and monthly dues.

7. CONDOMINIUM MANAGING AGENT:

Effective January 1, 2010, the Association of Apartment Owners of the Project retained Certified Management, Inc. as the new condominium managing agent for the Project.

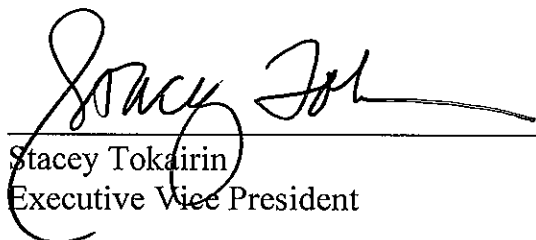
CERTIFICATE

I, the undersigned, duly sworn on oath, depose and affirm as follows:

1. That I am the Executive Vice President for Certified Management, Inc., a Hawaii corporation, designated by the Association of Apartment Owners of The Palms at Manele – Phase I condominium project (the "Project") to act as the Managing Agent for the management and administration of the Project.

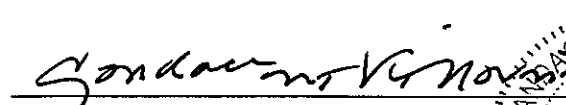
2. That I hereby certify that the breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, as set forth in Exhibit "1" attached hereto and hereby incorporated herein by reference, were determined pursuant to a reserve study conducted in accordance with Section 514A-83.6 of the Hawaii Revised Statutes and Chapter 107 of the Hawaii Administrative Rules, and are reasonable estimates for the one-year period commencing January 1, 2011, based on generally accepted accounting principles.

DATED: Honolulu, Hawaii, this 30th day of November, 2010.

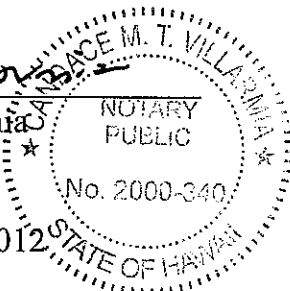


Stacey Tokairin
Executive Vice President

This 3-page Certificate dated 30th day of November, 2010, was subscribed and sworn to before me this 30th day of November, 2010, in the First Circuit of the State of Hawaii, by Stacey Tokairin.



Print Name: Candace MT Villarmia
Notary Public, State of Hawaii



My Commission expires: 07/09/2012

EXHIBIT "1"

THE PALMS AT MANELE - PHASE I
Estimated Annual Common Expenses

	<u>MONTHLY</u>	<u>ANNUAL</u>
<u>Operating Expenses</u>		
Administrative Costs	\$242.00	\$2,904.00
Property Management	1,039.00	12,468.00
Legal	50.00	600.00
Other Professional	207.00	2,484.00
Electricity	105.00	1,260.00
Water	833.00	9,996.00
Exterminating	500.00	6,000.00
Maintenance	13,433.00	161,196.00
Taxes	24.00	288.00
Insurance	4,488.00	53,856.00
<u>Reserves</u>	<u>3,750.00</u>	<u>45,000.00</u>
TOTAL DISBURSEMENTS	<u>\$24,671.00</u>	<u>\$296,052.00</u>

ESTIMATED MAINTENANCE CHARGES OR FEES FOR EACH APARTMENT:

- (1) The estimated monthly maintenance charge for each Type 1 and Type 1R apartment is \$1,398.37 per month.
- (2) The estimated monthly maintenance charge for each Type 2 and Type 2R apartment is \$1,417.10 per month.
- (3) The estimated monthly maintenance charge for each Type 3 and Type 3R apartment is \$1,713.22 per month.
- (4) The estimated monthly maintenance charge for each Type 4 and Type 4R apartment is \$1,713.82 per month.
- (5) The estimated monthly maintenance charge for each Type 5 apartment is \$1,780.29 per month.